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Real estate players turn negative on prime residential sector in Q2: NUS poll

Suburban residential sector shows more resilience as executives flag macroeconomic risks as top concerns in quarterly survey

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The new ABSD rate and macroeconomic uncertainties could have affected the current and future market sentiment, according to the National University of Singapore's survey. PHOTO: LIM YAOHUI, ST

PROPERTY players have turned much more negative on the outlook for the prime residential sector, after two rounds of market cooling measures took effect, a recent poll found.

Real estate executives also flagged macroeconomic risks as top concerns, in the quarterly survey conducted by Institute of Real Estate and Urban Studies (IREUS) at the National University of Singapore (NUS).

In the second quarter, prime residential was the worst performing sector in IREUS' sentiment index survey, with a negative net current balance of 40 per cent. The sector also scored the worst future net balance among respondents, at negative 28 per cent.

"Foreign buyers account for a sizeable demand for high-end properties here," said IREUS director Qian Wenlan.

"The dismal performance of prime residential homes in the second quarter could be attributed to foreigners now having to pay a hefty 60 per cent Additional Buyer's Stamp Duty (ABSD) for the purchase of any residential property," she said. ABSD rates were hiked at the end of April this year, after loan limits were tightened in September 2022.

Net balance measures the difference between positive and negative responses, with a negative net balance pointing to poorer sentiment.

In contrast, the suburban residential sector is showing more resilience, with a negative net current balance of 8 per cent and a future net balance of positive 8 per cent.

Prof Qian attributed this to pent-up demand arising from construction delays during Covid, which will continue to drive transactions among genuine homebuyers.

She believes that the "changing demographics such as smaller family sizes and the increasing number of singles looking for homes will further contribute to the demand for more affordable properties in the suburbs".

Those polled were also more negative than positive on prospects in the office and business park and high-tech space in Q2. Respondents were most optimistic on hotels and serviced apartments, and also positive on prime retail.

Almost all – 92.5 per cent of respondents – flagged a slowdown in the global economy as the top risk to watch. "Given that China is Singapore's largest export market, accounting for nearly 15 per cent of non-oil domestic exports in 2022, a slowing Chinese economy is also a major dampener on investor and consumer confidence here," said Prof Qian.

About 70 per cent said rising inflation and interest rates would adversely affect sentiment over the next six months.

Concerns over government intervention to cool the market ranked third among top risks – at 60 per cent, up from 54.5 per cent in Q1. Property executives were slightly less concerned in Q2 about job losses, rising construction costs, and tightening of financing in the debt market.

Uneasiness over development land supply and excessive supply of new property launches surfaced as more of a risk in Q2. Some 20 per cent of property players pointed to land supply as an adverse factor in Q2, while 27.5 per cent said new launch supply was concerning, compared with 15 per cent for both issues in the first quarter.

Some 7.5 per cent of respondents saw the risk of a real estate price bubble, up from 3.1 per cent previously.

The Composite Sentiment Index, comprising the Current Sentiment Index and Future Sentiment Index, and serves as a barometer of the general prevailing sentiment, remained flat at 4.6 in Q2 2023 – below the neutral score of 5.0.

"The market sentiment remained subdued and below the neutral line of 5.0. The new ABSD rate and macroeconomic uncertainties could have impacted the current and future market sentiment," added Sing Tien Foo, provost's chair professor of real estate at NUS.

For new project launches, 45 per cent of executives surveyed in Q2 expect a moderately or substantially higher number of units to be launched in the next six months, while 35 per cent of them expect the number to remain the same.

Only 20 per cent of them anticipated a lower number of new launches.

Compared with Q1, there was less expectation of higher pricing for new launches in Q2. Some 40 per cent of respondents believed new launch prices would be moderately higher. Half of them expect pricing to remain the same, a drop from 65 per cent in Q1.

Only 5 per cent of property players expected prices to be moderately less, while 5 per cent expected prices to be substantially lower.

"While the planned launches of some high-end residential projects had been delayed due to the ABSD rate increases, developers of mid-tier and mass-market projects are expected to ride on the buying momentum of local and resident buyers, and continue to launch new units for sale," said one survey respondent.

Financing was a top concern in Q2, with 50 per cent of those polled saying it would affect development cost.

This was higher than the 35.3 per cent in the previous quarter.

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